

April 26, 2016

Facility	Amount (Rs. Crore)	Rating
Unsecured, Taxable, Non-Convertible Debenture (NCD) Issue	#500	*SMERA A+ (SO)/Stable (Reaffirmed)

**Credit enhancement on account of an unconditional and irrevocable guarantee from the Government of Haryana (GoH)*

**(Rs.400 crore with a green shoe option of Rs.100 crore)*

SMERA has reaffirmed its rating of '**SMERA A+ (SO)**' (read as **SMERA A plus structured obligation**) assigned to the Rs.500 crore non-convertible, unsecured, taxable debenture issue of Haryana Vidyut Prasaran Nigam Limited (HVPNL). The outlook is '**Stable**'. The rating draws support from the Government of Haryana's (GoH) unconditional and irrevocable guarantee extended towards timely payment of principal and interest. The rating factors in the guarantor's credit risk profile and adherence to a specific, legal payment mechanism administered by the trustee of the NCD.

The proceeds of the bond issue have been utilised towards on-lending to HVPNL's associates - Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). HVPNL has also received approval from the Board and other stakeholders for the issue and subsequent use of the proceeds of such bonds.

Haryana has improved deficit parameters and low overall indebtedness. The fiscal deficit improved to 2.17 per cent of the Gross State Domestic Product (GSDP) in FY2014 while the revenue deficit has been healthy at 0.90 per cent of GSDP in FY2014.

The state's overall indebtedness continues to be low. The credit profile of GoH also benefits from the healthy economic and financial infrastructure. Contribution of a rising tertiary sector further adds buoyancy to tax revenues with the state enjoying high per capita income. Additionally, the improved unemployment rate along with a rising per capita GSDP strengthens the economic structure of Haryana.

However, the state's credit risk profile is constrained by the low level of financial inclusion, moderate coverage indicators and continued dependence on Ways and Means Advances for maintaining minimum balances with RBI. Moreover, the deteriorating law and order situation and volatile socio-economic conditions weigh adversely on its economic productivity, straining resources.

Outlook: Stable

In SMERA's opinion, GoH's credit profile is underscored by its healthy economic and fiscal profile and SMERA expects GoH to continue to benefit from the same. However, sustained improvement in the fiscal and economic ratios of the state could lead to a revision of its outlook to 'Positive'. Conversely, any deterioration in the aforementioned could result in a 'Negative' outlook.

About HVPNL

HVPNL, a GoH' transmission company enjoys monopoly in intra-state power distribution. The erstwhile Haryana State Electricity Board was divided in 1997 into two corporate bodies namely Haryana Power Generation Corporation Limited - for generation of power and HVPNL for transmission and distribution of power within the state. In 1999, HVPNL was further divided into UHBVNL and DHBVNL as subsidiaries (currently associates). HVPNL enjoys 41 per cent shareholding in UHBVNL and 37 per cent in DHBVNL. Both entities are loss making and have negative net worth.

For FY2014-15, HVPNL reported net loss of Rs.8.42 crore on total income of Rs.1,396.06 crore as compared with net loss of Rs.175.14 crore on total income of Rs.1,091.80 crore for FY2013-14.

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